

# SUMMARY ANALYSIS OF AMENDED BILL

## Franchise Tax Board

Author: Romero Analyst: Christy Keith Bill Number: AB 1220

Related Bills: See Prior Analysis Telephone: 845-6080 Amended Date: APTBA

Attorney: Patrick Kusiak Sponsor:

**SUBJECT:** Taxpayers Provide FTB With Specified Information Regarding Various B&CT Credits/FTB Publish Information Annually

- ☒ DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as amended 7/2/99.
- ☐ AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.
- ☒ AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as amended 7/2/99.
- ☒ FURTHER AMENDMENTS NECESSARY.
- ☒ DEPARTMENT POSITION CHANGED TO Neutral.
- ☒ REMAINDER OF PREVIOUS ANALYSIS OF BILL AS AMENDED 7/2/99 STILL APPLIES.
- ☐ OTHER - See comments below.

### SUMMARY OF BILL

Under the Administration of Franchise and Income Tax Law (AFITL), this bill would require corporate taxpayers that claim certain credits to provide the department with specified information regarding the credits claimed, the number of employees employed by the taxpayer on the first day of the year, and the wages and health benefits provided to its employees.

This bill also would require the department to publish the information in a manner that provides the greatest detail while protecting the identity of individual taxpayers. The bill would require the information to be provided in an annual report made available to the public.

### SUMMARY OF AMENDMENT

The proposed amendments would reword the reporting requirement to specify that the department would publish the information in an annual report. This report would be made available to the public in an unspecified manner, rather than being provided to the Legislature and posted on the department's web site. The data would be aggregated so that no fewer than three taxpayers would be represented in each data category. The department would be required to provide the greatest detail possible while protecting the identity of individual taxpayers. The requirement that the report include a unique identifier for each taxpayer would be stricken from the bill.

The June 29, 2000, amendments added the requirement that the taxpayer must provide its Standard Industrial Classification (SIC) Code. The amendments also deleted the requirement that taxpayers claiming carryover of the specified credits must provide information to the FTB.

### Board Position:

<input type="checkbox"/> S	<input type="checkbox"/> NA	<input type="checkbox"/> NP
<input type="checkbox"/> SA	<input type="checkbox"/> O	<input type="checkbox"/> NAR
<input checked="" type="checkbox"/> N	<input type="checkbox"/> OUA	<input type="checkbox"/> PENDING

Legislative Director

Date

Johnnie Lou Rosas

8/8/00

The June 29 amendments also specified that taxpayers claiming specified economic development area (EDA) credits must provide the number of full-time employees for both the state and the EDA in which the taxpayer is doing business. The amendments also deleted language that would have specified that taxpayers doing business in an EDA would provide information only for that EDA.

The June 29 amendments eliminated the penalty that would have been imposed if the taxpayer failed to provide the information.

The June 29 amendments reworded the actual reporting requirement, which will be reworded again by the proposed amendments, as noted above.

The June 29 amendments also deleted the section that would have added to the disclosure provisions of the AFITL. This section would have clarified that the department may provide to the Legislature the information required under this bill.

The June 29 amendments also authorized the Legislative Analyst's Office (LAO) to evaluate the impact of the specified credits on EDAs within the state.

The June 29 amendments resolved a few of the technical concerns provided in the department's analysis of the bill as amended July 2, 1999. The remaining technical concerns, as well as the implementation considerations and departmental costs, that still apply are provided below. Except for the items discussed in this analysis, the department's analysis of the bill as amended July 2, 1999, still applies.

#### IMPLEMENTATION CONSIDERATIONS

Staff anticipates that this bill would be implemented as follows:

- ?? Approximately 8,000 corporate taxpayers currently claim one or more of the listed tax credits. Based on prior credits claimed, staff anticipates that these taxpayers likely would be the largest corporations in the state. Many returns for large corporations are so large they are delivered to the department in boxes.
- ?? A check box would be added to the front of the return for taxpayers to indicate that they have claimed one or more of the listed tax credits. Another form also would be developed for taxpayers to provide the specified information.
- ?? Upon initial processing, any returns with the box checked would be pulled out of normal processing and sent to a special unit, which would be created to administer the provisions of this bill.
- ?? The special unit would review each pulled return to determine whether the information form is included and is complete.
- ?? If the form is included and is complete, the information reported would be entered into a data base for publication.
- ?? If the form is not included or is not complete, the special unit would issue a notice to the taxpayer to provide the information within 90 days and would hold the return for that time period.
- ?? If the taxpayer provides the information within 90 days, no credits would be denied, and the return would be put back into the normal processing system after the information is entered into the data base.

?? If the taxpayer fails to provide the information within 90 days, the special unit would issue a notice of proposed assessment that would deny the credits specified in this bill.

#### TECHNICAL CONSIDERATIONS

The attached amendments would resolve the following technical considerations raised by this bill:

1. Amendment 1 would change the term "corporation" to the correct term "taxpayer." This change inadvertently was omitted from the amendments provided in the department's analysis of the bill as amended May 12, 1999.
2. Amendments 2 and 3 would correct the name of two of the credits to local "agency" military base recovery area.
3. Amendment 4 would clarify that the credit would not be denied if "either" of the two listed conditions exist.

The authorization for the LAO to evaluate the impact of the EDA credits does not appear linked to the department's reporting requirement. This authorization should be placed in a separate code section more appropriate for the LAO, rather than within the income tax law administered by the department.

#### DEPARTMENTAL COSTS

Under the above discussed implementation plan, staff estimates that the order of magnitude of the departmental costs would be as shown in the following table:

Franchise Tax Board Order of Magnitude Costs (in millions)		
	1999/00	2000/01
Personal Services (approximately 27 personnel years)	0.9	0.9
Operating Expense and Equipment	0.7	0.2
Departmental overhead	0.1	0.1
Total	\$ 1.7	\$ 1.2

This analysis does not take into account all of the facilities and related costs that might be incurred to create space for the special unit that would be created. These costs have the potential of significantly increasing the costs identified in this analysis.

#### BOARD POSITION

Neutral.

At its July 6, 1999, meeting, the Franchise Tax Board voted 2-0 to take a neutral, if amended, position on this bill, as amended July 2, 1999. The Board stated they would be neutral on the bill if it was amended to require the department to report the specified information in the aggregate, instead of disclosing individual taxpayer information, which will occur with the proposed amendments.

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FRANCHISE TAX BOARD'S  
PROPOSED AMENDMENTS TO AB 1220  
As Amended June 29, 2000

AMENDMENT 1

On page 3, line 14, strikeout "corporation's" and insert:

taxpayer's

AMENDMENT 2

On page 4, line 3, strikeout "area" and insert:

agency

AMENDMENT 3

On page 4, line 5, strikeout "area" and insert:

agency

AMENDMENT 4

On page 5, line 8, strikeout "if" and insert:

in either of the following circumstances